



Sales via the award-winning Argos website more than trebled during the year



UK Home Shopping is creating a smaller, but more profitable agency business, while developing opportunities in the growing direct market

## Argos Retail Group had another excellent year, firmly establishing it as the UK's leading multi-channel retailer.

### Argos Retail Group

Argos Retail Group (ARG) continued to build on the strength of the Argos and Home Shopping brands and on its mission of delivering exceptional choice, value and convenience. Profits of £255m were 20% ahead of last year.

ARG is today a leading multi-brand, multi-channel retailer, enabling consumers to match the shopping experience to their particular needs and lifestyles. The shared infrastructure and merchandise pool facilitates new product development and significant economies of scale.

### Argos

Argos was undoubtedly the star performer within ARG, with sales up 19% and profits up by 27%. Against a backdrop of strong consumer demand in the UK, Argos continued to outperform its markets through a programme of major growth initiatives.

The product range was considerably expanded, with over 9,200 products in the latest Spring/Summer Argos catalogue, an increase of 7% on the previous one. This included expansion into new areas such as white goods, digital cameras and office equipment.

Prices were lower on many of the product lines, with independent consumer surveys showing that the Argos reputation for value had been strengthened.

The programme of store openings and refurbishments was accelerated to provide greater customer convenience and an enhanced in-store experience. An increasing number of customers chose to have purchases delivered directly to their home, with Argos Direct now accounting for 16% of sales.

Argos Additions, the fashion and home catalogue, was rolled out nationally in January 2001. This provides competitively priced products from the Home Shopping range and has generated sales this year of £130m, compared to £55m in the previous year.

E-commerce continued to grow, as more customers opted for the convenience of shopping online. Sales via the award-winning Argos website more than trebled during the year. The Jungle.com website, best known for computer products, was re-launched and new systems put in place for improving customer service.

### Home Shopping UK and Ireland

UK Home Shopping made further good progress in creating a smaller, but more profitable agency business. At the same time, it continued to explore opportunities in the growing market for direct catalogue sales.

The number of active agency customers continued to reduce, as the business focused on more profitable customers, while average sales per agency customer increased by 7%. This was supported by a range of marketing initiatives, including new seasonal and specialist catalogues. The business also began introducing customer relationship management technology to ensure that customers receive correctly targeted communications and are directed towards the most appropriate catalogue.

Sales through the main direct catalogues, which include Marshall Ward, Abound and Style Plus, increased by 17%. The Abound catalogue was launched in August 2001 and offers contemporary, branded fashions at high street prices, with flexible credit options. In its first season, Abound attracted more than 100,000 customers, many of them new to Home Shopping.



**Wehkamp has a 30% market share in Holland and was voted the best mail order catalogue by consumers**



**Everything from a kettle to a sofa can be delivered to customers' homes**

## ARG is delivering exceptional choice, value and convenience to its customers.

### Financial Services

The Argos store card was launched nationally in January 2001 and has been very successful, with over 625,000 account holders at the end of the year and outstanding balances totalling £105m. The store card is creating additional sales at Argos, as well as providing a valuable source of customer information. Over 5% of Argos sales were made using the card.

Argos Personal Loans was launched in February 2002 in a further extension of the Argos brand. The credit management systems were developed by Experian, which also processes the Argos store card.

### Home Shopping Continental Europe

Wehkamp in The Netherlands increased sales by 5% and now accounts for over 80% of Home Shopping's sales in Continental Europe. At Halens, our Scandinavian business, sales were slightly down in a very competitive market.

Wehkamp celebrated its 50th birthday during the year, creating substantial publicity for the business. Its popular website generated 12% of sales and the Wehkamp catalogue was voted by consumers to be the best in Holland.

Both Wehkamp and Halens are working closely with ARG in the UK to improve their product sourcing.

### Reality

Reality, the Group's logistics and customer care business, continued to make good progress in reducing costs for ARG and winning external contracts. Sales to external customers in the core logistics and call centre activities increased by over 10%.

Home delivery has become a vital part of ARG's multi-channel offer and, since April 2002, Reality has been reporting into ARG. At the same time, Experian has taken over responsibility for call centre services to external customers, principally financial services companies.

Reality was created from the Group's warehousing, delivery and call centre operations and has been successful in optimising the cost effectiveness of these major assets. The call centres, in particular, have been working at near maximum capacity for most of the year as a result of the growth in demand from ARG and external customers. New state-of-the-art call centre facilities are now being opened in Worcester to manage the increased demand.



Reality is the UK's largest carrier of domestic parcels, making 110 million deliveries each year



The Argos store card was launched nationally in January 2001 and is now used by over 625,000 customers



'Quick pay' kiosks are being trialed in 48 Argos stores across the country

New store openings and refurbishments have been accelerated to provide customers with increased convenience and a brighter in-store experience

